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TO RUEHC/SECSTATE WASHDC PRIORITY 4723  
INFO RUEHSS/OECD POSTS COLLECTIVE  
RUEHAS/AMEMBASSY ALGIERS 3994  
RUEHAC/AMEMBASSY ASUNCION 0126  
RUEHBJ/AMEMBASSY BEIJING 0719  
RUEHBO/AMEMBASSY BOGOTA 5350  
RUEHLP/AMEMBASSY LA PAZ 1313  
RUEHME/AMEMBASSY MEXICO 0668  
RUEHMN/AMEMBASSY MONTEVIDEO 1012  
RUEHNC/AMEMBASSY NOUAKCHOTT 1158  
RUEHRB/AMEMBASSY RABAT 6092  
RUEHLA/AMCONSUL BARCELONA 3412  
RUEATRS/DEPT OF TREASURY WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 MADRID 000503

NOFORN  
SIPDIS

E.O. 12958: DECL: 05/04/2018  
TAGS: [PREL](#) [SP](#) [ECON](#) [EFIN](#) [KTFN](#)  
SUBJECT: FINCEN DIRECTOR, SPANISH OFFICIALS DISCUSS MONEY  
LAUNDERING

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Classified By: Charge D'Affairs Hugo Llorens for reasons 1.4 (b) and (d)  
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¶1. (U) This cable has been cleared by FinCEN Director Jim Freis.

¶2. (C/NF) Summary. During a visit to Madrid April 23-24, Department of Treasury FinCEN Director Jim Freis met with Spanish government officials involved in anti-money laundering and counter terrorism finance (AML-CTF) activities. The Director of Spain's financial intelligence unit (Sepblac), Ignacio Palicio, committed to coordinating more closely with FinCEN and requested FinCEN assistance in shedding light on a complex suspicious money flow pattern involving Spain, South America and the U.S. During a meeting with Spain's AML/CFT regulation lead at the Ministry of Economy and Finance, Deputy Director Jose Manuel Vega agreed to continue discussions on consistent implementation of AML/CFT practices in globally active banks with Director Freis and other interested parties on the margins of the next Financial Action Task Force (FATF) meeting in June. When asked about the efficiency of Spain's cross-border cash control system, Vega asserted that Spain's control system worked well despite the lack of declaration forms at airports. Vega also noted that the use of 500 euro notes, linked to demand in real estate, was decreasing in Spain. End Summary.

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BUILDING STRONGER TIES WITH SPAIN'S FIU  
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¶3. (C/NF) During his April 23-24 visit to Madrid, FinCEN director Jim Freis met with officials from Spain's financial intelligence unit (FIU), Sepblac. Among the participants were Sepblac Director Ignacio Palicio, Deputy Director Pedro de la Lama and Head of International Cooperation Alvaro Pinilla. During the meeting, Sepblac officials described Spain's AML/CFT structure noting that Sepblac is an administrative FIU charged with seeking out potential money laundering and terrorism finance transactions, while the Ministry of Economy and Finance's Subdirectorato for Control of Capital Movements was the lead entity for regulation and sanctions. Both groups are subsumed under the interagency ministerial level AML committee that meets regularly to

address policy issues.

14. (C/NF) Director Palicio expressed his appreciation for Director Freis' visit and committed to coordinating more closely with FinCEN. He noted that Sepblac had its best relationships with FIUs in France and Belgium and similarly strong relationships with the FIUs in Colombia, Mexico and Australia. He added that Sepblac was building its ties with the United Kingdom's FIU and highlighted its importance given the growing population of British expatriates in Spain. Palicio complained, however, about the poor relationship with the FIU of Gibraltar. Political issues aside, he said that this poor relationship represented a major problem because a significant amount of laundered money associated with Spain's Costa de Sol housing boom has been moved to accounts in Gibraltar where Spain has no access. Hence, this makes it very difficult for Spanish authorities to pursue investigations.

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SUSPICIOUS MONEY FLOWS  
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15. (C/NF) Director Palicio requested FinCEN assistance in helping Spain shed light on a suspicious money flow pattern involving the circulation of euros among Spain, South American countries, and the U.S. Personal remittances from immigrants in Spain to family members in South America appear to be routed unnecessarily through the U.S. or (other third countries) in transit to South America, generally without the remitters knowing of the circuitous route. Sepblac hypothesizes that these euros are co-mingled with cash drug proceeds smuggled directly from Spain to South America. Sepblac believes that the euro notes themselves are

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eventually repatriated to Spain through formal banking channels, particularly through Paraguay. Palicio expressed interest in working together with FinCEN to unravel this money flow mystery, which potentially involves institutions in the U.S. Director Freis was receptive to this request and noted that the project is precisely the kind of joint strategic cooperation that he hopes to promote in the community of FIUs.

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CROSS-BORDER CASH MOVEMENT OBSERVATIONS  
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16. (C/NF) Director Freis also met with Ministry of Economy and Finance Deputy Director General for Inspection and Capital Movements Juan Manuel Vega Serrano and advisor Raquel Cabeza. Vega is Spain's representative to the Financial Action Task Force (FATF). During the meeting, Vega Serrano highlighted money laundering flows typical to Spain. In addition to the Paraguay money movements, he noted that large amounts of euros were being introduced from Mauritania into the Canary Islands and speculated that these movements were related to cocaine processing in Nigeria or Mali. He also highlighted euro movements from Spain to China via other European countries through bulk cash couriers transporting 3-4 million euros at a time.

17. (C/NF) When asked about Spain's cross border cash controls, both Sepblac and Ministry of Economy and Finance officials explained that while there are no mandatory declaration forms that travelers must fill out, there is an obligation to report cross-border cash movements in excess of 10,000 euros. As such, travelers are expected to be aware of their obligations to actively report cash movements above the statutory amount. Despite the lack of a requirement that each traveler actively declare whether he or she is transporting an amount above the limit, Vega Serrano claimed that cross border cash controls were strong, with the Ministry now being able to implement more severe penalties for failure to report cash. Ministry advisor Raquel Cabeza

noted that under Spanish regulation the GOS has the ability to impose a fine of up to 100% of the undeclared amount and that the GOS managed to collect 14 million euros in such fines in 2007.

18. (C/NF) Asked about the circulation of 500 euro bank notes, Vega stated that the circulation of this bank note had recently decreased, most likely as a result of the downturn in housing. Vega said his subdirectorate had conducted a regression analysis which showed a correlation between the circulation of high denomination bank notes and the housing boom.

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DATA PRIVACY AND BANK SECRECY  
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19. (C/NF) Speaking off the record, Deputy Director Vega (please protect) acknowledged to Director Freis his belief that some banks were hiding behind data privacy laws (bank secrecy in the guise of data protection), and that anti-money laundering efforts were sometimes impeded by this practice. Deputy Director Vega confirmed the importance of globally active banks (including those from Spain) being able to effectively implement AML/CFT policies on an enterprise-wide basis, and he agreed to continue discussions on ways to promote such an outcome with Director Freis and other interested countries on the margins of the next FATF meeting.

As a side note, Vega added that AML and data privacy laws were often written by separate entities and because of this were sometimes in conflict with each other.

Llorens